

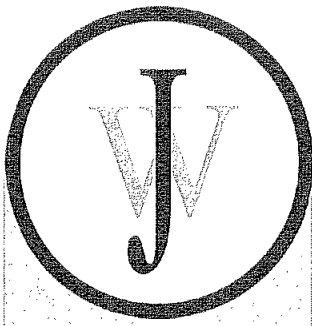
EXCELth, Inc.

Financial Statements

For the Year Ended December 31, 2012

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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
EXCELth, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of EXCELth, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EXCELth, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

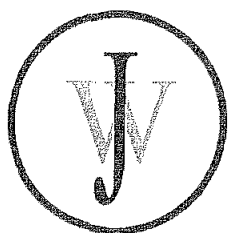
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013, on our consideration of EXCELth, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EXCELth, Inc.'s internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, Louisiana
July 19, 2013



EXCELth, Inc.
Statement of Financial Position
December 31, 2012

Assets

Assets:

Cash and cash equivalents	\$ 1,139,929
Grants receivable	723,841
Accounts receivable	363,019
Other receivables	32,475
Deposits	62,493
Property, plant, and equipment, net	<u>746,809</u>

Total assets	\$ <u>3,068,566</u>
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 205,887
Accrued payroll and related fringe benefits	219,158
Compensated absences	349,024
Deferred revenue	148,894
Line of credit	50,000
Note payable	<u>69,444</u>

Total liabilities	<u>1,042,407</u>
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Net Assets:

Unrestricted	1,519,620
Temporarily restricted	<u>506,539</u>

Total net assets	<u>2,026,159</u>
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Total liabilities and net assets	\$ <u>3,068,566</u>
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The accompanying notes are an integral part of the financial statements

EXCELth, Inc.
Statement of Activities
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Federal grants	\$ -	\$ 3,940,688	\$ 3,940,688
Other grants	-	1,009,473	1,009,473
Patient services	3,239,193	-	3,239,193
Contract services	5,441	-	5,441
Donations	3,100	-	3,100
Gain on sale of investment	732,266	-	732,266
Interest income	409	-	409
Other income	<u>89,367</u>	<u>-</u>	<u>89,367</u>
Total Revenues and Support	4,069,776	4,950,161	9,019,937
Net Assets Released from Restrictions	<u>4,443,622</u>	<u>(4,443,622)</u>	<u>-</u>
Expenses			
Program Services	4,600,452	-	4,600,452
Supporting Services	<u>2,503,632</u>	<u>-</u>	<u>2,503,632</u>
Total Expenses	<u>7,104,084</u>	<u>-</u>	<u>7,104,084</u>
Change in Net Assets	1,409,314	506,539	1,915,853
Net Assets at Beginning of Year	<u>110,306</u>	<u>-</u>	<u>110,306</u>
Net Assets at End of Year	<u>\$ 1,519,620</u>	<u>\$ 506,539</u>	<u>\$ 2,026,159</u>

The accompanying notes are an integral part of the financial statements

EXCELth, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	<u>Program Services</u>		<u>Total Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
	<u>Primary Healthcare</u>	<u>Behavioral Healthcare</u>			
Amortization/depreciation	\$ -	\$ -	\$ -	\$ 257,509	\$ 257,509
Bad debts/write-offs	-	-	-	424,432	424,432
Data processing and software	-	-	-	60,175	60,175
Dues and subscriptions	4,764	-	4,764	28,661	33,425
Equipment	-	48	48	-	48
Fringe benefits	842,423	104,342	946,765	330,231	1,276,996
Incentives/vouchers/outreach	3,188	-	3,188	-	3,188
Insurance	17,349	1,195	18,544	58,434	76,978
Lab fees	51,422	5	51,427	-	51,427
Licenses	7,561	-	7,561	4,265	11,826
Medical Supplies	68,232	-	68,232	23,912	92,144
Meetings	9,680	295	9,975	36,380	46,355
Miscellaneous	100	-	100	2,725	2,825
Personnel services	2,259,530	576,774	2,836,304	809,597	3,645,901
Postage	2,824	195	3,019	3,814	6,833
Printing	1,055	1,179	2,234	2,879	5,113
Professional fees	257,740	15,398	273,138	189,287	462,425
Public relations and development	84	-	84	6,006	6,090
Rent	184,131	20,448	204,579	127,367	331,946
Repairs and maintenance	22,857	5,928	28,785	9,787	38,572
Service charge and interest	-	-	-	15,778	15,778
Supplies	32,280	3,034	35,314	15,598	50,912
Telephone	44,497	8,805	53,302	38,878	92,180
Trainings	35	35	70	132	202
Transportation	12,421	3,219	15,640	32,336	47,976
Travel	16,976	-	16,976	25,449	42,425
Utilities	20,403	-	20,403	-	20,403
Total expenses	<u>\$ 3,859,552</u>	<u>\$ 740,900</u>	<u>\$ 4,600,452</u>	<u>\$ 2,503,632</u>	<u>\$ 7,104,084</u>

The accompanying notes are an integral part of the financial statements

EXCELth, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash flows from operating activities:

Change in net assets	\$ 1,915,853
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Amortization/depreciation	257,509
Increase in accounts receivable	(68,263)
Increase in grants receivable	(525,294)
Increase in other receivables	(3,505)
Increase in deposits	(18,331)
Decrease in accounts payable	(83,371)
Increase in payroll liabilities	71,041
Increase in compensated absences	96,465
Decrease in deferred revenue	<u>(547,644)</u>
Net cash provided by (used in) operating activities	<u>1,094,460</u>

Cash flows from investing activities:

Purchases of fixed assets	(199,666)
Proceeds from sale of investment	<u>119,127</u>
Net cash provided by (used in) investment activities	<u>(80,539)</u>

Cash flows from financing activities:

Payments made on outstanding note payable	<u>(41,667)</u>
Net cash provided by (used in) financing activities	<u>(41,667)</u>

Net increase (decrease) in cash and cash equivalents 972,254

Cash and cash equivalents at beginning of year 167,675

Cash and cash equivalents at end of year \$ 1,139,929

Additional required disclosures:

1. Interest paid in fiscal year 2012: \$15,778

The accompanying notes are an integral part of the financial statements

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 1 – Nature of Activities and Significant Accounting Policies

Organization

EXCELth, Inc. is a non-profit community based organization that was organized to bring together a variety of resources and services which are directed towards building local capacity to provide basic primary care services for the community. Through the administration of city, state, federal and private resources, EXCELth, Inc. is responsible for providing direction, leadership and resource development. These resources are utilized to ensure that primary care services such as prenatal care, pediatric, adolescent, adult and geriatric care, case management, HIV prevention, transportation, laboratory, X-ray, pharmacy and dental care are available and accessible through the network of health providers.

Principles of Accounting

EXCELth, Inc.'s financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles.

Basis of Presentation

EXCELth, Inc. has adopted the provision of FASB Accounting Standards Codification, Topic 958, "Accounting for Not-for-profit Entities", and reports its financial position and activities according to three classes of net assets according to externally (donor) imposed restrictions.

Unrestricted Net Assets - include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of EXCELth, Inc. are included in this category, as well as realized gains and losses not subject to donor-imposed restrictions. The entity has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the entity, and therefore, the entity's policy is to record these net assets as unrestricted. As of December 31, 2012 EXCELth, Inc. had \$1,519,620 in unrestricted net assets.

Temporarily restricted net assets - include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions (capital improvements, etc.) have not been met. As of December 31, 2012 EXCELth, Inc. had \$506,539 in temporarily restricted net assets.

Permanently restricted net assets - are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions. As of December 31, 2012, EXCELth, Inc. did not have any permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, EXCELth, Inc. considers all short-term, highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Property and Equipment

EXCELth, Inc. capitalizes items with a unit cost of greater than \$500 and a useful life greater than 1 year. Property, plant, and equipment is recorded at historical cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which are 3 or 5 years.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the programs and supporting services benefited.

Allowance for Losses

Allowances for estimated losses on receivables are provided when, in the opinion of management, such losses are expected to be incurred. Management evaluates the carrying value of these assets at least annually and the allowances are adjusted accordingly. The allowance expense for the year ended December 31, 2012 was \$424,432.

Revenue Recognition

Revenues received under governmental grant programs are recognized when earned. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or the board of directors.

Compensated Absences

Employees of EXCELth, Inc. are entitled to paid vacation and paid sick days depending on length of service and other factors. EXCELth, Inc.'s policy is to recognize the costs of compensated absences when actually earned by employees. As of December 31, 2012, the liability recorded for compensated absences totaled \$349,024.

Fair Value

EXCELth, Inc. has adopted certain provisions of FASB Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures." ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. ASC Topic 820 requires EXCELth, Inc. to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The entity is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

However, the entity is subject to income tax on any unrelated business taxable income. Since the entity had no unrelated business income for the year ended December 31, 2012, no provision for income taxes is included in the accompanying financial statements.

The entity files Form 990, Return of Organization Exempt from Income Tax, in the U.S. federal jurisdiction and the State of Louisiana. The deadline to file Form 990 for the tax year ended December 31, 2012 has been extended until November 15, 2013. The entity has not filed their 2012 Form 990 as of the date these financial statements were available to be issued. Should the entity's tax status be challenged in the future, the 2009, 2010 and 2011 tax years are open to tax examination by the IRS.

In July 2006, the Financial Accounting Standards Board (FASB) issued Accounting for Uncertainty in Income Taxes, which clarifies the accounting and disclosure for uncertain tax positions. This interpretation requires companies to use a prescribed model for assessing the financial statement recognition and measurement of all tax positions taken or expected to be taken in tax returns. The entity applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities.

Management has evaluated the entity's tax positions and concluded that the organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements.

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 2 - Investments in Louisiana Partnership for Choice and Access, LLC

EXCELth, Inc. entered the partnership in 2009 with a cash investment of \$150,000. EXCELth, Inc. uses the cost method to account for its 7.74% investment in the partnership. Under the cost method, EXCELth, Inc. recognizes its share of the earnings and losses of the partnership as they are realized. In November 2012, Louisiana Partnership for Choice and Access, LLC (LPC&A) was purchased by another company. EXCELth, Inc.'s share of the purchase amount resulted in a gain of \$732,266. The activities of LPC&A are substantially related to EXCELth, Inc.'s exempt purpose in that LPC&A contributes importantly to EXCELth, Inc.'s mission. Therefore, the gain is not considered to be unrelated business income and is not subject to unrelated business income tax. The remaining amount of \$25,210 has been retained by LPC&A to accommodate future expenditures associated with liquidating the partnership and is included in Other Receivables on the Statement of Financial Position.

Note 3 – Property, Plant and Equipment

The following schedule summarizes the cost and accumulated amortization and depreciation of property, plant and equipment as of December 31, 2012:

Furniture, fixtures and equipment	\$ 759,737
Leasehold improvements	454,463
Vehicles	214,943
Construction-in-progress	260,479
Accumulated amortization	(278,148)
Accumulated depreciation	<u>(664,665)</u>
Total	<u>\$ 746,809</u>

Amortization/depreciation expense for the year ended December 31, 2012 totaled \$142,059 and \$115,450, respectively.

Note 4 – Line of Credit

On August 4, 2011 EXCELth, Inc. obtained a line of credit from a local bank. The line of credit is unsecured, has a maturity date of August 8, 2013, and bears an interest rate of 3.25%. Interest-only payments commenced September 8, 2011 and will continue until the line of credit matures. As of December 31, 2012, the amount outstanding on the line of credit totaled \$50,000.

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 5 – Note Payable

On August 4, 2011 EXCELth Inc. obtained a loan from a local bank. The loan is secured by all of EXCELth, Inc.'s current and future assets, has a maturity date of August 8, 2014, and bears an interest rate of 3.25%. As of December 31, 2012, the principal balance due on the note totaled \$69,444.

For the year ending December 31:

2013	\$ 41,667
2014	<u>27,777</u>
Total	<u>\$ 69,444</u>

Note 6 – Temporarily Restricted Net Assets

As authorized by the Board of Directors, the management of EXCELth, Inc. was required to reserve an initial amount of \$150,000 with additional increases of a maximum of 25% of quarterly surpluses thereafter. The Board of Directors has designated the amount for future operating expenses, purchasing of fixed assets and facility expansion. During the year, board designated net assets totaling \$12,000 were utilized in the expansion of two (2) clinical facilities and the purchase of fixed assets for these facilities. As of December 31, 2012, temporarily restricted net assets totaled \$506,539. It is the intent of management to rebuild the reserve to assist with future expansion in accordance with board authority.

Note 7 - Retirement Plan

Employees participate in a non-contributory retirement plan administered by the Louisiana State Employees Retirement System. EXCELth, Inc. contributes specified amounts based on employee participation in the plan. For the year ended December 31, 2012, EXCELth, Inc. contributed \$838,555 into the plan on behalf of the employees.

Note 8 – Fair Value Measurements of Financial Assets and Liabilities

In accordance with FASB ASC Topic 820, fair value is defined as the price that EXCELth, Inc. would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to established classification of fair value measurements for disclosure purposes.

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 8 – Fair Value Measurements of Financial Assets and Liabilities (continued)

Various inputs are used in determining the value of EXCELth, Inc. assets or liabilities. The inputs are summarized in the three broad levels listed below:

Level 1- Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2- Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3- Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. EXCELth, Inc.'s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. EXCELth, Inc. recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. All fair value measurements are considered Level 1 measurements as of December 31, 2012.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. EXCELth, Inc.'s significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Note 9 – Concentration of Risk

EXCELth, Inc.'s has on deposit cash balances in various financial institutions in the New Orleans, Louisiana area. The Federal Deposit Insurance Corporation (FDIC) provides unlimited deposit insurance coverage on non-interest-bearing accounts through December 31, 2012. Interest-bearing deposit accounts are insured by the FDIC for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor and per insured depository institution for each account ownership category. At December 31, 2012, EXCELth, Inc.'s deposits were in excess of insured limits by \$822,836. Management believes the organization is not exposed to any significant credit risk on its cash balances.

Economic Dependency

The primary sources of revenue for EXCELth, Inc. are federal and state grants provided through various funding agencies. The continued success of EXCELth, Inc. is dependent upon the renewal of contracts from current funding sources, including the Department of Health and Human Services, and obtaining new funding.

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 10 – Commitments and Contingencies

Participation in Grant Programs

EXCELth, Inc. is a recipient of grant funds from certain funding sources. These grants are governed by various federal, state and local guidelines, regulations, and contractual agreements.

The administration of the program and activities funded by the grants are under the control and administration of EXCELth, Inc. and are subject to audit and/or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Operating Leases

EXCELth, Inc. leases administrative office space under the terms of a non-cancellable lease. The term of the lease is five years. The lease began on March 1, 2010 and ends on March 31, 2015. Future minimum lease payments under the terms of the operating lease as of December 31, 2012 were:

For the year ending December 31:

2013	\$ 117,849
2014	118,662
2015	<u>29,665</u>
Total	<u>\$ 266,176</u>

EXCELth, Inc. leases a clinical site under the terms of a non-cancellable lease. The term of the lease is three years. The lease began on July 1, 2012 and ends on June 30, 2015. Future minimum lease payments under the terms of the operating lease as of December 31, 2012 were:

For the year ending December 31:

2013	\$ 80,237
2014	80,237
2015	<u>40,118</u>
Total	<u>\$ 200,592</u>

EXCELth, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 11 - Board of Director Compensation

The Board of Directors is a voluntary board. No compensation was paid to any board member during the year ended December 31, 2012.

Note 12 - Subsequent Events

Management of EXCELth, Inc. evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through July 19, 2013, the date which the financial statements were available to be issued.

Supplementary Information

EXCELth, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

<u>Grantor</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditure</u>
U.S. Department of Health and Human Services			
<u>Direct Awards</u>			
Consolidated Health Centers	93.224	None available	\$ 3,790,420
<u>Awards From a Pass-Through Entity</u>			
Louisiana Public Health Institute			
Centers for Medicare and Medicaid Services	93.779	None available	<u>9,473</u>
Total Expenditures of Federal Awards			<u>\$ 3,799,893</u>

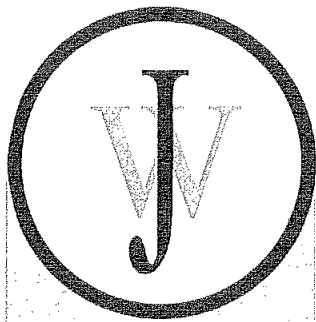
EXCELth, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of EXCELth, Inc. under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of EXCELth, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of EXCELth, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
EXCELth, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of EXCELth, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EXCELth, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EXCELth, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether EXCELth, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

EXCELth, Inc.'s Response to Findings

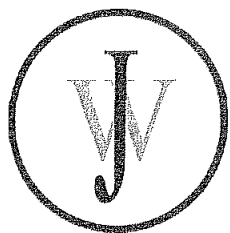
EXCELth, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. EXCELth, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

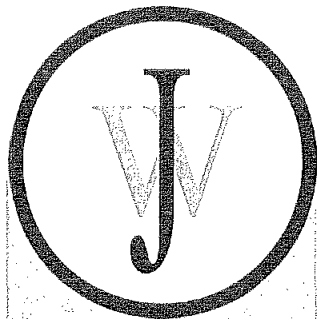
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Document Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana
July 19, 2013





J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
EXCELth, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited EXCELth, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of EXCELth, Inc.'s major federal programs for the year ended December 31, 2012. EXCELth, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of EXCELth, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about EXCELth, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of EXCELth, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, EXCELth, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

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Report on Internal Control Over Compliance

Management of EXCELth, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered EXCELth, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of EXCELth, Inc.'s internal control over compliance.

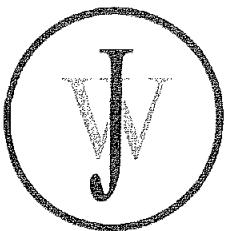
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Document Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana
July 19, 2013



EXCELth, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

I. Summary of Auditors' Report

a. Financial Statements

1. The auditors' report expresses an unqualified opinion on the financial statements of EXCELth, Inc.
2. No control deficiencies were disclosed during the audit of the financial statements or reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of EXCELth, Inc. was reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
4. No deficiencies in internal control over major federal award programs were disclosed during the audit or reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*.

b. Federal Awards

1. The auditors' report on compliance for the federal award program administered by EXCELth, Inc. expresses an unqualified opinion.
2. Audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 are reported in Section III of this schedule.
3. The programs tested as major programs include:

Consolidated Health Centers

CFDA Number
93.224

4. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
5. EXCELth, Inc. does not qualify as a low-risk auditee.

c. Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2012.

EXCELth, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

II. Findings – Financial Statement Audit

INTERNAL CONTROL AND COMPLIANCE FINDING

2012-01 Timely Filing of Report

Condition:

The report was not submitted to the legislative auditor's office on a timely basis.

Criteria:

LSA-R.S. 24:513 states that "all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee fiscal year."

Effect:

The organization is not in compliance with State Law governing audit engagement completion.

Recommendation:

The organization should take steps to ensure that all audit engagements are completed and submitted to the legislative auditor's office in a timely manner.

Response:

Management will take the appropriate action to ensure all information is available to the engaged auditor for the timely filing of all necessary reports.

Contact Information:

Michael A. Andry
Chief Executive Officer
EXCELth, Inc.
1515 Poydras Street, Ste. 1070
New Orleans, Louisiana 70112
Office: (504) 524-1210

III. Findings – Major Federal Award Programs Audit

There were no findings noted.

EXCELth, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

IV. Summary of Prior Year Findings

There were no findings for the prior year audit.